

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Schools and Libraries Universal Service)	CC Docket No. 02-6
Support Mechanism)	
)	

To: The Commission

**REPLY COMMENTS OF THE
COUNCIL OF THE GREAT CITY SCHOOLS**

The Council of the Great City Schools, the coalition of over 60 of the nation's largest central city school districts, is pleased to submit our reply to selected comments filed pursuant to the Commission's April 30, 2003 Second Report and Order and Further Notice of Proposed Rulemaking (FNPRM) on simplifying and streamlining certain aspects of the Schools and Libraries Support Mechanism.

The Council supports the effort and goals of the Commission in striving to improve and update the E-Rate program. The E-Rate has no greater advocate than the large city school systems that enroll the highest number of disadvantaged children, employ the largest number of teachers, and occupy the greatest number of school buildings. Specifically, the Council of the Great City Schools represents approximately seven million students nationwide, including 31% of the nation's Latino students, 38% of the nation's African American students, and 25% of the nation's children living in poverty. The value of the E-Rate is immeasurable to these students and the inner-city. Prior to the E-Rate, shallow resources and a historically deep digital divide left urban school districts with no chance to provide the technology that has enhanced teaching and learning elsewhere.

The Council thanks the Commission and the Schools and Libraries Division (SLD) for taking action to strengthen a program as vital to education as the E-Rate. The benefits that universal service provides for schools and libraries cannot be understated, and the Council appreciates the opportunity to participate in the Commission's recent Forum, the SLD Task Force, and the rulemaking process. Like the majority of commenters, we support the changes secured by the Commission in the recent order, and believe they will only further the assistance provided to our nation's children, schools, and libraries.

State Funding Cap

One of the comments to which we strongly disagree is the suggestion by the Florida Public Service Commission (FPSC) that the FCC establish a state funding cap. E-Rate funding commitments are not determined on the basis of a state's student enrollment counts, but rather reimbursements are provided to applicants that have demonstrated need and local support for projects. Adopting the process proposed by the FPSC would automatically provide funding to all states without taking into account the telecommunications need of its schools and districts. The assumption made by the FPSC is that each state's allocation would accurately reflect the amount of internal connections work and universal service required by its local schools. But program history has shown that for a variety of reasons, including an inability to raise the local contribution, there are schools and districts that have not yet been able to take full advantage of the E-Rate.

Under the current climate of state and local budget cuts, this inability of applicants to contribute the required funding from non-E-Rate sources may become even more common. If this is the case, the FSPC proposal would have the opposite effect that the E-Rate intends. Each state would receive funds regardless of whether their local schools or libraries would be able to make use of them, while applicants that have needs and the ability to undertake E-Rate projects would be hampered by their state's limited apportionment of the national funds. The FSPC suggests that unused reimbursements in each state be returned to the universal service general fund for redistribution the following year, yet this proposal certainly would not meet the Commission's goal of streamlining the program and reducing waste. Under the FSPC's state funding cap plan, E-Rate funds would sit idle before getting recycled each year, while schools and students with true need are unable to access them.

The Council would also like to urge the Commission to reject any conversion of the E-Rate into a state block grant program. The effective administration of the program by USAC should be maintained, and while additional support and improvements are indeed necessary, the responsibility for distributing funds should remain with them and not with the states. The state block grant proposal, offered repeatedly since the E-Rate's inception, would further exacerbate the problem of the neediest schools and districts not receiving adequate support. The Council has repeatedly argued, and research has shown, that federal programs operated through the state provide insufficient assistance to poor, urban, and rural schools, the very recipients that universal service is intended to support.

Computerized Eligible Services List

Comments to the proposed rule were submitted by a diverse group of institutions, and those that are not often in agreement on education decisions. Yet private industry companies, education organizations, state departments of education, and local schools from different geographic regions have all taken a uniform stance on the proposal for a computerized eligible services list.

Like the majority of responders, the Council agrees that the current system could be made more efficient, but providing an exhaustive, mandated list will place a burden on the Administrator to keep the list up-to-date. With the current landscape of emerging

technologies and service providers, such a task may be impossible. Schools and libraries must be allowed to take advantage of new and applicable technology, as well as improved services, as soon as they are available, and should not have to delay implementation or pass on the opportunity because such an item has yet to appear on the official list.

Providing a narrow, pre-approved list not only limits the ability of applicants to capitalize on opportunities, but also contradicts the underlying, competitive nature of the E-Rate funding process. If all service providers use the same list of eligible items to assist schools and libraries, their ambition to develop creative technology solutions with efficient and cost-effective service may be greatly reduced.

A pre-approved list may also prove unworkable for applicants in certain geographic areas if they are unable to locate a specific, allowable product or service. A similar problem may arise if an applicant includes an approved product in its original application, but that specific item is no longer available once the funding commitment is made, often more than a year after the original application was submitted. The result of such a rule change is especially unattractive since the situations described above are commonplace for applicants in isolated areas and those with the highest levels of poverty – two of the principal beneficiaries of the program.

The Commission has received these comments before, and as a result of the recent order will develop a pilot program to study the feasibility of an online list. A fair and efficient solution may be constructed from merging the current system with components of the proposed change. An applicant may continue to apply with a generic list of eligible items, but can query specific items in an up-to-date, but not definitive, database of approved products and services. Such a list shall be kept current, but an applicant would not need to rely solely on the products included. Applicants will be able to identify specific items that are approved, as well as the types of items that may be approved, and can stick with the list as a safe harbor for its requests. However, there was a resounding call in response to the FNPRM that applicants must not be restricted to using the particular products and services listed in order to receive reimbursements from the E-Rate.

Program Audits

The responses to the FNPRM were also universal in their support of the Commission's aim to improve the integrity of the program and improve oversight. The Schools and Libraries Division of USAC must be commended for the work they accomplish with limited resources, and like other respondents, we feel that additional funds for their efforts would help improve the E-Rate program in the manner sought by the Commission. We agree with the comments that one way to improve program integrity would be to increase the number and quality of audits performed; however, as stated in comments submitted previously, the Council would strongly oppose any proposal in which individual recipients must fund program audits on behalf of the FCC. It is inherently unfair to require recipients that received awards due to their poverty to further strain the budgets that E-Rate discounts were intended to ease.

The Commission should focus its intention to improve efficiency by strengthening the audits performed currently on the E-Rate. As stated in a number of comments to the FNPRM, the program's original audits, many of which were performed in large urban school districts, suffered from a lack of organization and well-trained personnel. Auditors must be well versed in the details of the E-Rate and public administration, and shouldn't require the tutelage of local program administrators to understand the process. Further, the audit performed must be based on the program rules that were in place at the time of the applicable funding year, and not on the rules at the time of the audit. Finally, improved information collection and a better reporting mechanism is needed to make the audits effective and more useful to the auditors, the recipients, and future E-Rate applicants and vendors.

The idea of a "self-audit" raises a number of complex issues, including the criteria that will require such an audit, the appeal process for such an order, and the additional monitoring and enforcement activities that are traditionally performed by the program's Administrator. E-Rate improvement, as well as the Commission's goals of greater efficiency and reduced fraud and abuse, will be attained by mending the current audit system, not by shifting the financial responsibility of the audit operation.

Conclusion

The Council of the Great City Schools shares the same goals as those stated by the Commission in this Notice, and believes that continued improvement of E-Rate operations is instrumental to the program's long-term success. The comments provided here address improving the efficiency of the program, while also making sure the E-Rate maintains the fairness and flexibility that is necessary to manage the largest applications and projects in areas with the greatest concentrations of poor children. As the complexity and importance of technology continues to increase, the Council offers its support and assistance to the Commission to ensure that the E-Rate remains available for the nation's neediest urban school districts to keep pace.

Respectfully Submitted,

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